ISIS FINANCIAL PLANNERS Finance News

News from Louis Letourneau.
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"I don't know about you, but I want to enjoy myself in my old age"

If you're watching the latest development in the pension world, you'll have noticed - and probably raised an eyebrow at - the Government proposal of a new Personal Account, due to come into effect in 2012.

This will be a new semi-compulsory pension arrangement for employers and employees to, force us all to save for our retirement at age 68. However, the broad plan is that anyone aged 22 and over will join by default unless they take the appropriate action to opt-out.

But what does all this mean in terms of cost and benefits and how will this affect us? Let's take two partners of the same age, we'll call them Nathan and Justin. Nathan starts his Personal Account when he is 22 years old and has 8% paid into the account until he is 65. This would give him a total weekly pension, in today's terms, of £211 from all sources at age 68. If he carried on working until age 68 this would rise to £239. The amount from his Personal Account at age 65 is just £74 a week – not much for any fun in the sun.

Justin has been to university and because of his student debts he doesn't start his Personal Account until he is 28. He also wants to retire at 65 and his pension would be £66 a week at age 65. Our female friends would be even worse off, and anyone self-employed is really left out in the cold.

That's all very disappointing – forget the trips abroad and the lavish lifestyle. I don't know about you, but I don't want to just survive in my old age, I want to enjoy myself. Frankly, £239 a week won't do it. And how do I survive from 65 to 68 on just £74 a week? If Nathan and Justin want to enjoy a fun-packed retirement they are going to have to pay for it in other ways.

Working on to age 68 could mean improved income for both of them. However, most research done recently has found that, rather unsurprisingly, most folk don't relish the thought of working until they're 68.

There is, of course, a raft of different ways to fund for retirement apart from the new Personal Account. Although this will be a very low-cost option, it won't give the financially savvy ones among you much investment choice. So, separate additional pensions might be a good idea. Another option to consider is an Individual Savings Account. ISAs provide a great deal of flexibility since they don't have the same restrictions that pensions carry and, unlike pensions, you can get your money back at anytime. They can be as safe or risky as you want – something to suit everyone. Anyone with any cash saved should have a mini cash ISA – no Income Tax and no risk; the Shangri-La of the investment world.

And I haven't forgotten you property tarts. There are many ways to use property to pay for your retirement, from downsizing your home to acquiring rental property. But remember the golden rules - timing and location are critical.

The issue about all of this isn't so much about what you do; it's about doing something and having a strategy. Nathan might be too young, at just 22, to even think ahead to retirement, and he and Justin could certainly have better fun with their spare cash than spending it on retirement planning. But you can't put it off for ever.

This new Personal Account might have shortcomings, but if it makes more folk think about their retirement, then it has to be a good thing. We're still five years away from the introduction of the new arrangement, but those of a certain age shouldn't defer making plans for another five years. As always, proper advice is crucial.

Louis Letourneau, **MA** is an experienced independent financial adviser (IFA), specialist in financial planning and wealth management. He founded Rainbow Finance in 1995 and has consistently challenged financial companies and Government on their attitudes to gays, lesbians and same sex couples and was instrumental in the Inland Revenue to changing its guidance notes to recognise unmarried couples in pension benefits. His work has also resulted in life insurance companies starting to relax the discriminatory underwriting criteria toward gay men and people living with HIV. He was a founder of the Rainbow Research Project which surveys and educates private pension schemes in how they recognise unmarried couples on death benefits. He was also a founder member of the Stonewall Immigration Group (which campaigned for Immigration rights for same-sex couples, achieving a significant victory in April 1997) and helped set up the gaypartners.org initiative with gay.com in early 2001, campaigning for same-sex partnership rights. He speaks regularly on national and local radio.